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Wednesday 9 November 1977 CG NIDC 77/260C

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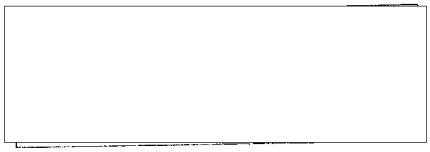

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National Intelligence Daily Cable for Wednesday, 9 November 1977. //Slants indicate Noforn// Classification abbreviations precede each paragraph. The NID Cable is for the purpose of informing senior US officials.

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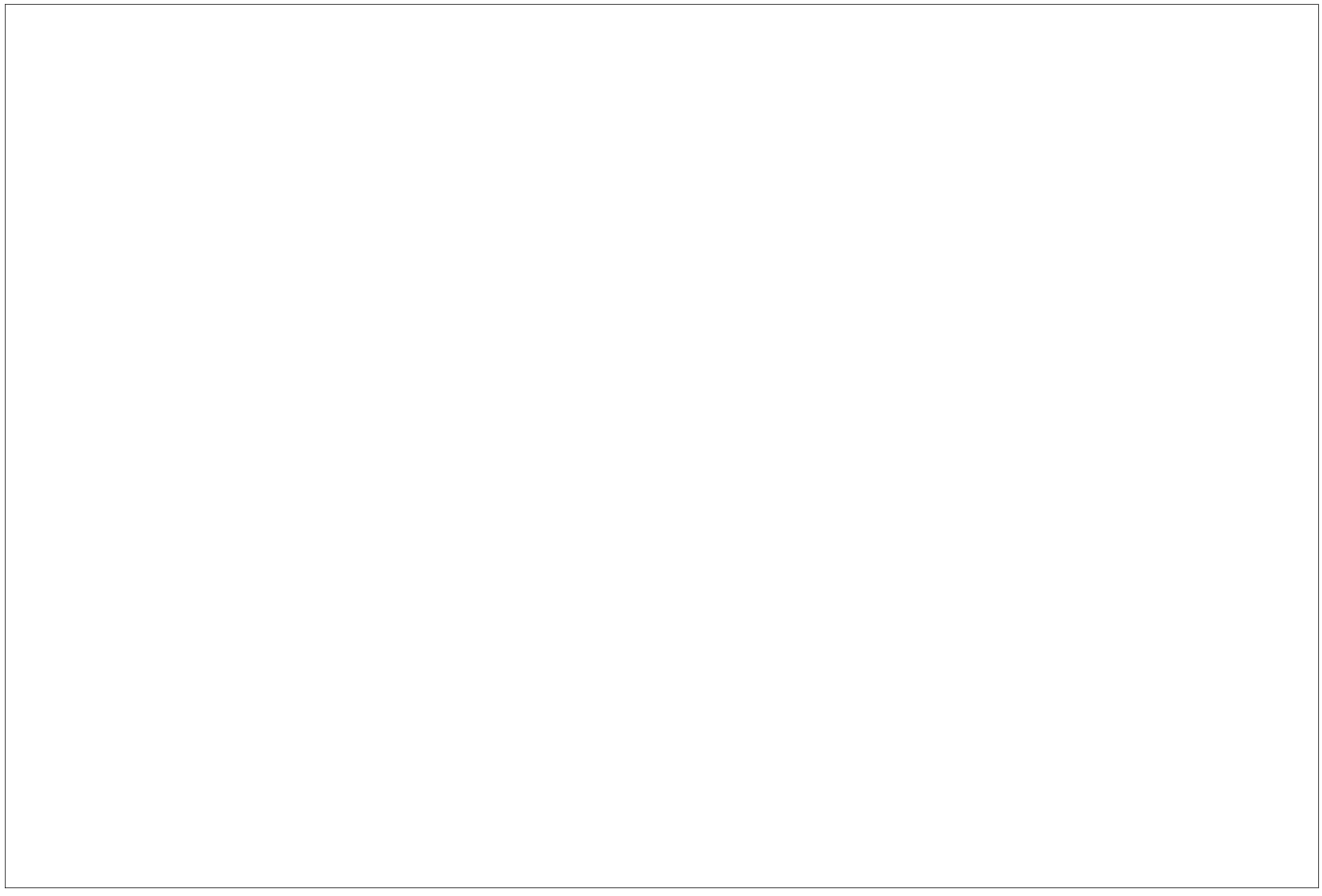

ARGENTINA: Problems With Labor

3.5(c) *The Argentine Government appears to have weathered last week's widespread labor unrest in public sector industries. Most striking workers returned to their jobs over the weekend after the government promised wage talks and threatened harsh anti-strike measures. The manner in which the government settled the dispute opens the way for further unrest that would test the military regime's authority and its determination to continue strict austerity measures.*

3.5(c) The apparently spontaneous strikes--which spread rapidly to transportation, port, maritime, and power workers in Buenos Aires and nearby areas--stemmed from a continuing

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decline in real wages. In its effort to control the most serious labor crisis since the military took over in 1976, the government extended to state enterprises the 40-percent "wage flexibility" policy that it had granted to private firms last month. Previously, public sector workers have not shared in unsanctioned pay increases given by private employers to fend off worker dissatisfaction.

3.5(c) A number of state companies have already announced wage increases within the new guidelines, but the workers reportedly are dissatisfied with the pay hikes; many workers were demanding increases of up to 100 percent. For the moment, however, most workers apparently have succumbed to the threats of dismissal and to the argument that no wage increases would be

3.5(c) effective until after employees returned to work.

Labor's continuing dissatisfaction places the government in a precarious position. Any increases in wages create pressures from other workers for similar treatment and thus jeopardizes the administration's policy of limiting salary boosts--a key part of its effort to reduce inflation.

3.5(c) Minister of Economy Martinez de Hoz warned last week that the government would make no further concessions. The military regime has stringent emergency legislation on the books, but a strong assertion of authority would exacerbate the delicate labor situation as well as harm Argentina's international reputation.

3.5(c) President Videla may now have to contend with an upsurge in illegal countersubversive activity by hardliners within the security forces, who may decide to take matters into their own hands. Although the administration has evinced a desire to stop violations of human rights, it is not strictly enforcing measures to halt excesses.

3.5(c) A further complication is the recent increase in leftist terrorism in Buenos Aires. One of the main goals of the Montoneros organization has been to infiltrate the labor unions, and the group is apparently trying to increase its identification with the workers by conducting acts of violence and sabotage.

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Videla's military rivals--especially junta member and navy chief Admiral Massera--may try to use the government's current problems to undercut the President's position. Some hard-line military officers are already grumbling that Videla should have anticipated the labor problems and taken preventive measures.

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